

ROGERS CORP
Form 10-K
February 23, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 K
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File No. 1-4347

ROGERS CORPORATION

(Exact name of Registrant as specified in its charter)

Massachusetts

(State or other jurisdiction of
incorporation or organization)

06 0513860

(I. R. S. Employer
Identification No.)

P.O. Box 188, One Technology Drive, Rogers, Connecticut 06263-0188 (Address of principal executive offices)
Registrant's telephone number, including area code: (860) 774-9605

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$1 Par Value	New York Stock Exchange
Rights to Purchase Capital Stock	

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form

10-K. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes No

The aggregate market value of the voting common equity held by non-affiliates as of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1,221,463,930. Rogers has no non-voting common equity.

The number of shares outstanding of common stock as of February 4, 2016 was 17,969,554.

Documents Incorporated by Reference:

Portions of Rogers' Definitive Proxy Statement for its 2016 Annual Meeting of Shareholders, currently scheduled for May 6, 2016, are incorporated by reference into Part III of this Form 10-K.

ROGERS CORPORATION
FORM 10-K

December 31, 2015

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Part I

Item 1. Business

In this Report, we use the terms “Company,” “Rogers,” “we,” “us,” and “our” unless otherwise indicated or the context otherwise requires, to refer to Rogers Corporation and its consolidated subsidiaries.

Forward-Looking Statements

This Annual Report on Form 10-K includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are generally accompanied by words such as “anticipate,” “assume,” “believe,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “should,” “seek,” “target” or similar expressions that indicate uncertainty as to future events or outcomes. Forward-looking statements are based on assumptions and beliefs that we believe to be reasonable; however, assumed facts almost always vary from actual results, and the differences between assumed facts and actual results could be material depending upon the circumstances. Where we express an expectation or belief as to future results, that expectation or belief is expressed in good faith and based on assumptions believed to have a reasonable basis. We cannot assure you, however, that the stated expectation or belief will occur or be achieved or accomplished. Among the factors that could cause our results to differ materially from those indicated by forward-looking statements are risks and uncertainties inherent in our business including, without limitation:

- volatility within the Internet Connectivity, Clean Energy, and Safety and Protection megatrends on which our business is focused, as well as specific market and industry trends within these megatrends;
- business, economic and political conditions in the United States and abroad, particularly in China, South Korea, Germany, Hungary and Belgium, where we maintain significant manufacturing, sales or administrative operations;
- fluctuations in foreign currency exchange rates;
- our ability to develop innovative products and have them incorporated into end-user products and systems;
- the extent to which end-user products and systems incorporating our products achieve commercial success;
- the ability of our sole or limited source suppliers to deliver certain key raw materials to us in a timely manner;
- intense global competition affecting both our existing products and products currently under development;
- failure to realize, or delays in the realization of, anticipated benefits of acquisitions and divestitures due to, among other things, the existence of unknown liabilities or difficulty integrating acquired businesses;
- our ability to attract and retain management and skilled technical personnel;
- our ability to protect our proprietary technology from infringement by third parties and/or allegations that our technology infringes third party rights;
- changes in effective tax rates or tax laws and regulations in the jurisdictions in which we operate;
- financial and restrictive covenants in our credit agreement, which could limit our operational and financial flexibility;
- the outcome of ongoing and future litigation, including our asbestos-related product liability litigation;
- changes in environmental laws and regulations applicable to our business;
- disruptions in, or breaches of, our information technology systems;
- asset impairment and restructuring charges; and
- changes in accounting standards promulgated by the Financial Accounting Standards Board (FASB) and the Securities and Exchange Commission (SEC).

Our forward-looking statements are expressly qualified by these cautionary statements, which you should consider carefully, along with the risks discussed under the heading “Item 1A Risk Factors” and “Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report, that could cause actual results to differ materially from historical results or anticipated results. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Overview

Rogers Corporation (NYSE: ROG) designs, develops, manufactures and sells high-quality and high-reliability engineered materials and components for mission critical applications. We operate principally three strategic business segments-Advanced Connectivity Solutions (ACS), Elastomeric Material Solutions (EMS) and Power Electronics Solutions (PES). We have a history of innovation and established the Rogers Innovation Center for our leading research and development activities.

Our growth strategy is based upon the following principles: (1) market-driven organization, (2) innovation leadership, (3) synergistic mergers and acquisitions, and (4) operational excellence. As a market-driven organization, we are focused on three megatrends of expanding business opportunities: Internet Connectivity, Clean Energy and Safety & Protection. During 2015, we added the Safety & Protection megatrend in place of Mass Transit in response to the increase in demand for advanced driver assistance systems and growth in products focused on consumer impact protection, passenger safety and vibration management and flexible heater insulation.

In January 2015, we completed the acquisition of Arlon LLC and its subsidiaries, other than Arlon India (Pvt) Limited (the acquired subsidiaries, collectively, Arlon), for an aggregate purchase price of approximately \$157 million. Arlon manufactures high performance materials for the printed circuit board industry and silicone rubber-based materials. The acquisition of Arlon and its subsequent integration into our business segments have enabled us to increase scale and complement our existing product offerings, thus enhancing our ability to support our customers. The Arlon polyimide and thermoset laminate business, which was not integrated, was sold in December 2015. For additional information regarding the Arlon acquisition and related financing, see Note 5, "Acquisition" and Note 12, "Debt" in "Item 8 Financial Statements and Supplementary Data."

Rogers was founded in 1832 and incorporated in Massachusetts in 1927.

Our Business Segments

We operate our business in three strategic business segments: Advanced Connectivity Solutions (ACS), Elastomeric Material Solutions (EMS) and Power Electronics Solutions (PES). The following table reflects the net sales of the reportable segments of the Company for the last three fiscal years:

(Dollars in thousands)	2015	2014	2013
ACS	\$267,630	\$240,864	\$184,949
EMS	180,898	173,671	168,082
PES	150,288	171,832	160,730
Other	42,627	24,544	23,721
Total	\$641,443	\$610,911	\$537,482

In 2015, we updated the names of two of our segments to better align with their product portfolios: our "Printed Circuit Materials" segment was renamed to "Advanced Connectivity Solutions," and our "High Performance Foams" segment was renamed to "Elastomeric Material Solutions."

Additional financial information regarding each of our reportable segments, along with information regarding our revenues and long-lived assets by geographic area, is available in Note 16, "Business Segments," in "Item 8 Financial Statements and Supplementary Data."

Advanced Connectivity Solutions (ACS)

Our ACS segment designs, develops, manufactures and sells circuit materials enabling high-performance and high-reliability connectivity for applications including communications infrastructure (e.g., cellular communication antennas and equipment), automotive (e.g., advanced driver assistance systems and global positioning applications), consumer electronics and aerospace/defense. We sell our circuit materials under various tradenames, including RO3000®, RO4000®, RT/duroid®, ULTRALAM®, RO2800®, LoPro®, COOLSPAN® and TMM®. In January 2015, we acquired the Arlon business, and subsequently integrated a portion of the product portfolio into the ACS segment operations and products that expanded the segment's product portfolio, market reach and customer base, particularly in the RF antenna business.

Our ACS segment has manufacturing and administrative facilities in Chandler, Arizona; Rogers, Connecticut; Bear, Delaware; Evergem, Belgium; and Suzhou, China.

Elastomeric Material Solutions (EMS)

Our EMS segment designs, develops, manufactures and sells elastomeric material solutions for critical cushioning, sealing, impact protection and vibration management applications including general industrial, portable electronics (e.g., mobile internet devices), consumer goods (e.g., protective sports equipment), automotive, mass transportation,

construction and printing applications. We sell our elastomeric materials under various trade names, including PORON®, XRD®, BISCO® and eSORBA®. In January 2015, we acquired the Arlon business, and subsequently integrated a portion of the product portfolio into the EMS segment operations and products that expanded the segment's product portfolio, market reach and customer base, particularly in the engineered silicones for sealing and insulation applications.

Our EMS segment has manufacturing and administrative facilities in Woodstock, Connecticut; Rogers, Connecticut; Bear, Delaware; Carol Stream, Illinois; and Suzhou, China. We also own 50% of: (1) Rogers Inoac Corporation (RIC), a joint venture that was established in Japan 1989 to design, develop, manufacture and sell PORON products predominantly for the Japanese market and (2) Rogers INOAC Suzhou Corporation (RIS) that was established in China in 2004 to design, develop, manufacture and sell PORON products primarily for RIC customers in China. INOAC Corporation owns the remaining 50% of both RIC and RIS. RIC has manufacturing facilities at the INOAC facilities in Nagoya and Mie, Japan, and RIS has manufacturing facilities at Rogers' facilities in Suzhou, China.

Power Electronics Solutions (PES)

Our PES segment designs, develops, manufactures and sells ceramic substrate materials for power module applications (e.g., variable frequency drives, vehicle electrification and renewable energy), laminated bus bars for power inverter and high power interconnect applications (e.g., mass transit, hybrid-electric and electric vehicles, renewable energy and variable frequency drives), and micro-channel coolers (e.g., laser cutting equipment). We sell our ceramic substrate materials and micro channel coolers under the curamik® tradename, and our bus bars under the ROLINX® tradename.

Our PES segment has manufacturing and administrative facilities in Ghent, Belgium; Eschenbach, Germany; Budapest, Hungary; and Suzhou, China.

Other

Our Other businesses consist of elastomeric components for applications in ground transportation, office equipment, consumer and other markets; elastomeric floats for level sensing in fuel tanks, motors, and storage tanks; and inverters for portable communications and automotive markets. In 2015, the Other businesses included the Arlon polyimide and thermoset laminate operations, which was sold in December 2015.

Sales and Competition

We sell our materials and components primarily through direct sales channels positioned near major concentrations of our customers in North America, Europe and Asia. We sold to over 3,000 customers worldwide in 2015, primarily original equipment manufacturers (OEMs) and component suppliers. No individual customer represented more than 3.9% of our total sales for 2015; however, there are concentrations of OEM customers in our ACS (Chinese telecommunications equipment manufacturers) and PES (semiconductor and automotive manufacturers) segments. Although the loss of all of the sales made to any one of our larger customers would require a period of adjustment during which the results of a particular operating segment would be adversely impacted, we believe that such adjustments could be successfully made over a period of time due to the diversity of our customer base. We believe that our business relationships with major customers in our key markets are favorable, and that we are in a good position to respond promptly to variations in customer requirements and technology trends.

We employ a technical sales and marketing approach pursuant to which we work collaboratively to provide design engineering, testing, product development and other technical support services to OEMs that incorporate our engineered materials and components in their products. Particularly in our ACS and EMS business segments, component suppliers convert, modify or otherwise incorporate our engineered materials and components into their components for these OEMs in accordance with their specifications. Accordingly, we provide similar technical support services to component suppliers.

We compete primarily with manufacturers of high-end materials, some of which are large, multi-national companies, principally on the basis of innovation, customer relationships, product quality and performance, technical service, breadth of product line, and manufacturing capabilities. We also compete with manufacturers of commodity materials, including smaller regional producers with lower overhead costs and profit requirements located in Asia that attempt to upsell their products based principally upon price, particularly for products that have matured in their life cycle. We believe that we have a competitive advantage because of our reputation for innovation, the quality and reliability of our materials and components and our demonstrated commitment to technical support and customer service.

Research and Development

We have a history of innovation, and innovation leadership is a key component of our overall business strategy. The markets we serve are typically characterized by rapid technological changes and advances. Accordingly, the success of our strategy is in part dependent on our ability to develop market-leading products, which is primarily driven by

efforts in research and development. We are focused on identifying technologies and innovations related to both our current product portfolio as well as other long term initiatives targeted at further diversifying our business. As part of this technology commitment, we established the Rogers Innovation Center at Northeastern University in Burlington, Massachusetts, and, in 2015, opened a satellite innovation center at our facility in Suzhou, China. Our innovation centers focus on the earliest stages of technical and commercial development of new high-tech materials solutions in close alignment with market needs.

Patents and Other Intellectual Property

We have many domestic and foreign patents and licenses and have additional patent applications on file related to all business segments. These patents and licenses vary in duration and provide some protection from competition. We also own a number of registered and unregistered trademarks and have acquired and developed certain confidential and proprietary technology, including trade secrets that we believe to be of some importance to our business.

While we believe our patents and other intellectual property provide some important advantage to our business segments, we believe that a significant part of our competitive position and future success is also determined by such factors as the innovative skills, systems and process knowledge, and technological expertise of our personnel; the range and success of new products we develop; and our customer service and support.

Manufacturing and Raw Materials

The key raw materials used in our business are as follows: for our ACS segment, copper and polymer materials; for our EMS segment, polyurethane and silicone materials; and for our PES segment, copper and ceramic materials. We believe we have adequate sources for the supply of these key raw materials for our manufacturing needs.

Some of the raw materials used in our business are available through single or limited-source suppliers. We recently expanded our supplier base for certain key raw materials and components for efficiency, cost reduction and quality, while limiting the number of suppliers who act as the single-source supplier for a particular raw material. We seek to mitigate the impact of raw material supply disruptions by purchasing sufficient quantities of the particular raw material in advance to sustain production until alternative materials and production processes can be qualified with customers. However, this strategy may not be effective in all cases, and disruptions in our supply of raw materials could negatively impact our production and have a material adverse impact on our business.

Seasonality

There is no material concentration of products or markets within the business that are seasonal in nature, except for some minor seasonality for consumer products, which often align with year-end holidays and product launch cycles.

Our Employees

As of December 31, 2015, we employed approximately 2,800 people.

Backlog

Our backlog of firm orders was \$63.3 million as of December 31, 2015, as compared to \$77.0 million as of December 31, 2014. The decrease at the end of 2015 was primarily related to Power Electronics Solutions and Advanced Connectivity Solutions and our which experienced decreases in backlog of \$7.3 million, \$(9.1) million, respectively. These declines were slightly offset by Elastomeric Material Solutions, which experienced an increase of \$2.8 million in the backlog. Contributing to the year-over-year change in backlog were customer delivery improvements, which reduced customer ordering cycles, combined with general market conditions. Additionally, the 2015 backlog contains \$7.4 million related to the Arlon businesses. The backlog of firm orders is expected to be filled within the next 12 months.

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Executive Officers

Our executive officers as of February 23, 2016 were as follows:

Name	Age	Present Position	Year Elected to Present Position	Other Positions Held During 2011-2015
Bruce D. Hoechner	56	President and Chief Executive Officer	2011	President, Asia Pacific Region, Dow Advanced Materials Division, Rohm and Haas Company from 2009 to September 2011
Janice E. Stipp	56	Vice President, Finance, Chief Financial Officer and Corporate Treasurer	2015	Executive Vice President, Chief Financial Officer and Treasurer, Tecumseh from October 2011 to November 2015; Chief Financial Officer, Revstone from January 2011 to August 2011
Robert C. Daigle	52	Senior Vice President and Chief Technology Officer	2009	
Gary M. Glandon	57	Vice President and Chief Human Resources Officer	2012	Chief Human Resources Officer, Solutia from October 2010 to July 2012
Jeffrey M. Grudzien	54	Vice President, Advanced Connectivity Solutions	2012	Vice President, Sales and Marketing September 2007 to February 2012
Jay Knoll	52	Vice President and General Counsel	2014	Senior Vice President, General Counsel PKC Group Oyj - North America from June 2012 to November 2014; Director and Chief Restructuring Officer Energy Conversion Devices, Inc. from November 2011 to June 2012, Interim President Energy Conversion Devices, Inc. from May 2011 to November 2011, Executive Vice President, General Counsel and Chief Administrative Officer Energy Conversion Devices, Inc. from January 2011 to April 2011.
John J. Krawczynski	44	Chief Accounting Officer and Corporate Controller	2014	Vice President Finance, Controller, The Yankee Candle Company, Inc. from September 2012 to February 2014; Vice President, Corporate Controller, Oakleaf Waste Management from March 2010 to September 2012
Helen Zhang	51		2013	

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Vice President, Power
Electronics Solutions
and President, Rogers
Asia

Global General Manager of Interconnect
Technology, Dow Chemical Company, Dow
Electronic Materials from July 2010 to April
2012

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Available Information

We make available on our website (<http://www.rogerscorp.com>), or through a link posted on our website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, reports filed pursuant to Section 16 and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). In addition, the SEC maintains an internet site that contains these reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (<http://www.sec.gov>).

We also make available on our website, in a printable format, the charters for our Board of Directors committees, including the Audit Committee, Compensation and Organization Committee, and Nominating and Governance Committee, in addition to our Corporate Governance Guidelines, Bylaws, Code of Business Conduct and Ethics Policy, Related Party Transactions Policy and Compensation Recovery Policy. Our website is not incorporated into or a part of this Form 10-K.

Item 1A. Risk Factors

Our business, financial condition and results of operations are subject to various risks, including those discussed below, which may affect the value of our stock. The risks discussed below are those that we believe are currently the most significant, although additional risks not presently known to us or that we currently deem less significant may also impact our business, financial condition and results of operations, perhaps materially.

A substantial portion of our revenues is driven by the Internet Connectivity, Clean Energy, and Safety and Protection megatrends, and volatility in these megatrends may adversely affect our business.

We derived approximately 28%, 26% and 10% of our net sales for the year ended December 31, 2015 from sales relating to the Internet Connectivity, Clean Energy, and Safety and Protection megatrends, respectively. These megatrends are served by our direct and indirect customers in a variety of end markets, including the transportation, industrial, consumer electronics and communications sectors. These megatrends, as well as specific market and industry trends within these megatrends, are volatile, cyclical and sensitive to a variety of factors, including general economic conditions, technology disruptions, consumer preferences and political priorities. Adverse changes to and within these megatrends has resulted, and may continue to result, in reduced demand for certain of our products, production overcapacity, increased inventory levels and price erosion, ultimately leading to a decline in our revenues and gross margins.

We have extensive international operations and therefore events and circumstances that have general international consequence or more specific impact in the countries in which we operate may adversely affect our business.

For the year ended December 31, 2015, approximately 75% of our net sales resulted from sales in foreign markets, with approximately 51% and 22% of such net sales occurring in Asia and Europe, respectively. We expect our revenues in foreign markets to continue to represent a substantial majority of our consolidated net sales. We maintain significant manufacturing and administrative operations in China, South Korea, Germany, Hungary and Belgium, and 65% of our employees are located outside the United States. Risks related to our extensive international operations include the following:

- foreign currency fluctuations, particularly in the value of the Euro, the Hungarian forint, the Chinese yuan and the South Korean won against the U.S. dollar;
- economic and political instability, including regional or country-specific events;
- accounts receivable practices, including longer payment cycles;
- export control or customs matters and changes in trade policy, tariff regulations or other trade restrictions;
- complications in complying with a variety of foreign laws, including unexpected changes in the laws or regulations of the countries in which we operate;
- failure to comply with the U.S. Foreign Corrupt Practices Act or other applicable anti-corruption laws;
- greater difficulty protecting our intellectual property;
- employment regulations, work stoppages and labor and union disputes.

The foregoing risks may be particularly acute in emerging markets, such as China, where our operations are subject to greater uncertainty due to increased volatility associated with the developing nature of the economic, legal and governmental systems of these countries. In addition, our business has been - and may continue to be - adversely affected by the lack of development, or disruptions, of transportation or other critical infrastructure in emerging markets. If we are unable to successfully manage the risks associated with expanding our global business or to adequately manage operational fluctuations, it may adversely affect our business, financial condition and results of operations.

Our business is dependent upon our development of innovative products and our customers' incorporation of those products into end user products and systems that achieve commercial success.

As a manufacturer and supplier of engineered materials and components, our business depends upon our ability to innovate and sell our new and improved materials and components for inclusion in other products that are developed,

manufactured and sold by our customers. We strive to differentiate our products and secure long-term demand through our engagement with our customers to design in our materials and components as part of their product development processes. The value of any design in largely depends upon the decision of our customers to manufacture their products or systems in production quantities, the commercial success of the ultimate product and the extent to which the design of our customers' products or systems could accommodate substitution of competitor products. A consistent failure to introduce new products in a timely manner, achieve design ins or achieve market acceptance on commercially reasonable terms could adversely affect our business, financial condition and results of operations. Also, the introduction of new products presents particularly significant business challenges in our business because product development commitments and expenditures must be made well in advance of product sales.